



July 3, 1997

John P. Galligan, Director
Card Technology Division
Financial Management Service
Department of the Treasury
Liberty Center, Room 526
401 14th Street, S.W.
Washington, D.C. 20227

Re: Electronic Benefits Transfer

Dear Mr. Galligan:

On behalf of the credit unions in California and Nevada, the California Credit Union League (CCUL) appreciates this opportunity to comment on the proposal pertaining to the selection and designation of financial institutions as financial agents for delivering electronic benefits transfer (EBT). CCUL strongly supports the proposal as written as we believe that it will benefit all involved parties.

Credit Unions Selected as the Financial Institutions to Provide These Services

Credit unions are uniquely qualified and would be the Department of the Treasury's (Treasury) best selection as the financial institutions selected to participate in this program to electronically deliver benefits to the "unbanked." The credit unions' motto "not for profit, but for service" demonstrates a commitment to their members' interests first. This commitment to service in addition to their longtime efforts to keep expenses low give credit unions a powerful one-two punch (good service to Americans receiving EBT, competitive prices for the service to the American taxpayers) that would be hard to match from any other group of financial institutions.

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Since their creation in the 19th century, credit unions have provided financial services to those unserved (or unwanted) by for-profit financial institutions. As the 20th century comes to a close, they are still serving the financial needs of many Americans turned away from the for-profit banking industry.

Part of the attraction of credit unions in the marketplace is their ongoing efforts to educate their members about available financial services; the importance of savings and the wise use of credit. Credit unions teach individuals how to become good consumers. This education has made tremendous differences in the lives of many credit union members. This advantage shows another reason credit unions should have preference over other financial institutions in attracting the unbanked to become participants in the American financial services system.

There are also advantages in credit union delivery of EBT to first generation Americans and new citizens. One aspect of the "unbanked" that is not addressed in the proposal is cultural reluctance in using banks. In many foreign countries, their citizens are unwilling to deposit funds in banks because of mistrust, corruption and limited government assurances that their funds are safe. When these people come to the U.S., they only have their previous experiences with banks to rely upon and they may need to be educated about the safety of American financial institutions. Credit unions today are working in our minority communities to provide this important education and make these consumers comfortable with American financial institutions.

Account Ownership and Credit Union Membership

CCUL supports Proposed Section 207.3(a)(1) of the regulation that the account relationship is between Treasury and the financial institution. This is important to credit unions because of the membership requirements of credit unions. The *Federal Credit Union Act* (12 U.S.C. 1767 and 1789a) permit federal credit unions to serve as financial agents of Treasury. State-chartered credit unions in



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California and Nevada have similar authorities (California Financial Code Section 14851 (a) and Nevada Revised Statutes Section 678.490(3)).

As Treasury is well aware, the credit union movement is a defendant in a number of legal actions instituted by the banking industry over issues dealing with federal credit unions' fields of membership. The Supreme Court, in its next term, will decide if the actions of the National Credit Union Administration (NCUA) since 1982 relating to fields of membership are consistent with the *Federal Credit Union Act*. Additionally, Treasury will be completing a Congressionally-mandated study of credit unions before September 30, 1997. This study will be looking at the health of the credit unions' federal share (deposit) insurance fund (National Credit Union Share Insurance Fund), the nation's 10 largest corporate credit unions and the NCUA's role as regulator of the credit union system.

Therefore as a side issue, CCUL would encourage Treasury to provide its assistance in achieving its goal of bringing the "unbanked" into the American financial services system by supporting efforts to permit federal credit unions to serve multiple groups and provide these much needed financial services in our communities.

Conclusion

We appreciate this opportunity to express our support of this proposal. CCUL believes that credit unions are the best financial institutions to deliver EBT.

Sincerely,

John Annaloro
Senior Vice President
Public and Government Relations